

**RAIL LINE ABANDONMENT**

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## INTRODUCTION

North Dakota has traditionally relied heavily on the rail mode to move products out of the state. The grain industry, in particular, has used railroads extensively to move grain to various market destinations. Almost two-thirds of the interstate grain movements originating in North Dakota since 1974 have been moved by rail.<sup>1</sup> The railroads accommodate North Dakota's rail dependency by maintaining a vast network of main and branch lines. The two principal railroads serving the state, Burlington Northern<sup>2</sup> and Soo Line,<sup>3</sup> operated on 4,694 miles of track in 1981. Two-thirds of the trackage consisted of branch lines (about 3,150 miles).

Recent legislation such as the Staggers Rail Act of 1980 has eased restrictions on the railroads concerning abandonment of unprofitable lines. As a result, many communities have lost rail service. Others face the possibility of losing service in the future.

### Abandonments in North Dakota

Through September 1982, over 500 miles of track has been abandoned in North Dakota (Table 1). Over two-thirds (69 percent) of the abandonments, in terms of mileage, have occurred since 1979. The longest line segment abandoned was the New England to McLaughlin, South Dakota line. Abandonment of the 123.6 mile line segment increased total abandoned trackage by 32 percent.

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<sup>1</sup>Griffin, Gene C., North Dakota Grain and Oilseed Transportation Statistics, 1980-81, UGPTI Report No. 42, Upper Great Plains Transportation Institute, North Dakota State University, Fargo, North Dakota, March 1982.

<sup>2</sup>Burlington Northern Railroad, Annual Report to the Interstate Commerce Commission, 1981.

<sup>3</sup>Soo Line Railroad Company, Annual Report to the Interstate Commerce Commission, 1982.

<b>TABLE 1. LINE SEGMENTS AND MILEAGES OF ABANDONED TRACK IN NORTH DAKOTA*.</b>		
<b>LINE SEGMENT</b>	<b>DATE</b>	<b>NORTH DAKOTA MILEAGE</b>
Brampton to Cogswell	1936	7.5
Walhalla to Canadian Border	1936	5.3
St. John to Canadian Border	1936	3.6
Portland to Clifford	1962	10.2
Wimbledon to Edgeley	1970	67.7
Maxbass to Dunning	1972	4.5
Rutland to Ludden	1974	30.2
Brinsmade to Minnewaukan	1976	7.5
Mayville to Blanchard	1976	10.1
Neché to Canadian Border	1976	1.0
Leeds to Brinsmade	1977	9.9
Jamestown to Klose	1979	5.9
Devils Lake to Warwick	1979	21.0
Fargo to Ortonville, MN	1980	69.5
Edgeley to Aberdeen, SD	1980	31.5
Forbes to Ellendale	1980	13.5
Brampton to Andover, SD	1980	4.2
Joliette to Pembina	1980	12.2
McHenry to Binford	1981	11.7
Newburg to Dunning	1981	5.6
Great Bend to Fairview Jct.	1981	8.8
Golva to Carlisle	1981	4.4
Wolford to Dunseith	1982	27.7
Casselton to Amenia	1982	6.1
Rolla to St. John	1982	7.2
New England to McLaughlin, SD	1982	123.6
<b>TOTAL</b>		<b>510.4</b>

\* Through September 1982.

## De Facto Abandonment

Abandonment or discontinuance of service can effectively be accomplished by rail carriers without participating directly in Interstate Commerce Commission (ICC) abandonment proceedings. The Staggers Rail Act of 1980 allows carriers to apply surcharges to joint line rates that do not yield 110 percent of variable costs. Implementing a surcharge on a particular line, especially a line where grain traffic is involved, may have the reciprocal effect of actual rail line abandonment. That is, shippers may find it uneconomical to continue shipping via rail.

A higher rate structure on a particular line segment, in relation to other line segments, may also have the effect of actual abandonment. Analogous to the surcharge, the higher rates may prompt shippers on the line to divert traffic from the rail mode, or cause producers to patronize grain elevators on other lines.

## System Diagram Map

Railroads are required by ICC regulations to submit annually a "system diagram map" showing all line segments that may be the subject of an abandonment application. The current system diagram map (7/1/82) shows approximately 420 miles of rail lines designated as candidates for possible abandonment (see following page). The 1981 map (10/1/81) however, displayed over 1400 miles as potentially subject to abandonment.

<b>JULY 15, 1982</b>				
<b>NORTH DAKOTA RAILWAY LINES SUBJECT TO ABANDONMENT</b>				
<b>LINE DESCRIPTION</b>	<b>R.R.</b>	<b>CATEGORY</b>	<b>DATE FILED</b>	<b>ND MILEAGE</b>
Wimbledon to Clementsville	Soo	1	07- -82	9.30
Wishek to Pollock, SD	Soo	2	05-01-78	35.93

JULY 15, 1982

**NORTH DAKOTA RAILWAY LINES SUBJECT TO ABANDONMENT**

<b>LINE DESCRIPTION</b>	<b>R.R.</b>	<b>CATEGORY</b>	<b>DATE FILED</b>	<b>ND MILEAGE</b>
Ellendale to Oakes	BN	1	06-26-81	27.82*
Hunter to Blanchard	BN	1	06-26-81	10.42
Edgeley to Streeter	BN	1	06-26-81	39.83
Tuttle to Wilton	BN	1	06-26-81	37.77
Hazen to Truax	BN	1	06-26-81	6.37
Zap to Killdeer	BN	1	06-26-81	40.86
Beach to Golva	BN	1	06-26-81	12.86
Grand Forks to Honeyford	BN	1	06-25-82	22.1
Linton to Eureka, SD	BN	1	06-25-82	37.67
Mandan to Mott	BN	1	06-25-82	99.10
Wolford to Dunseith	BN	3	08-27-81	27.39
Rolla to St. John	BN	3	05-13-82	7.24
Amenia to Casselton	BN	MOD	(05-25-82)	6.08
			<b>TOTAL</b>	<b>420.74</b>

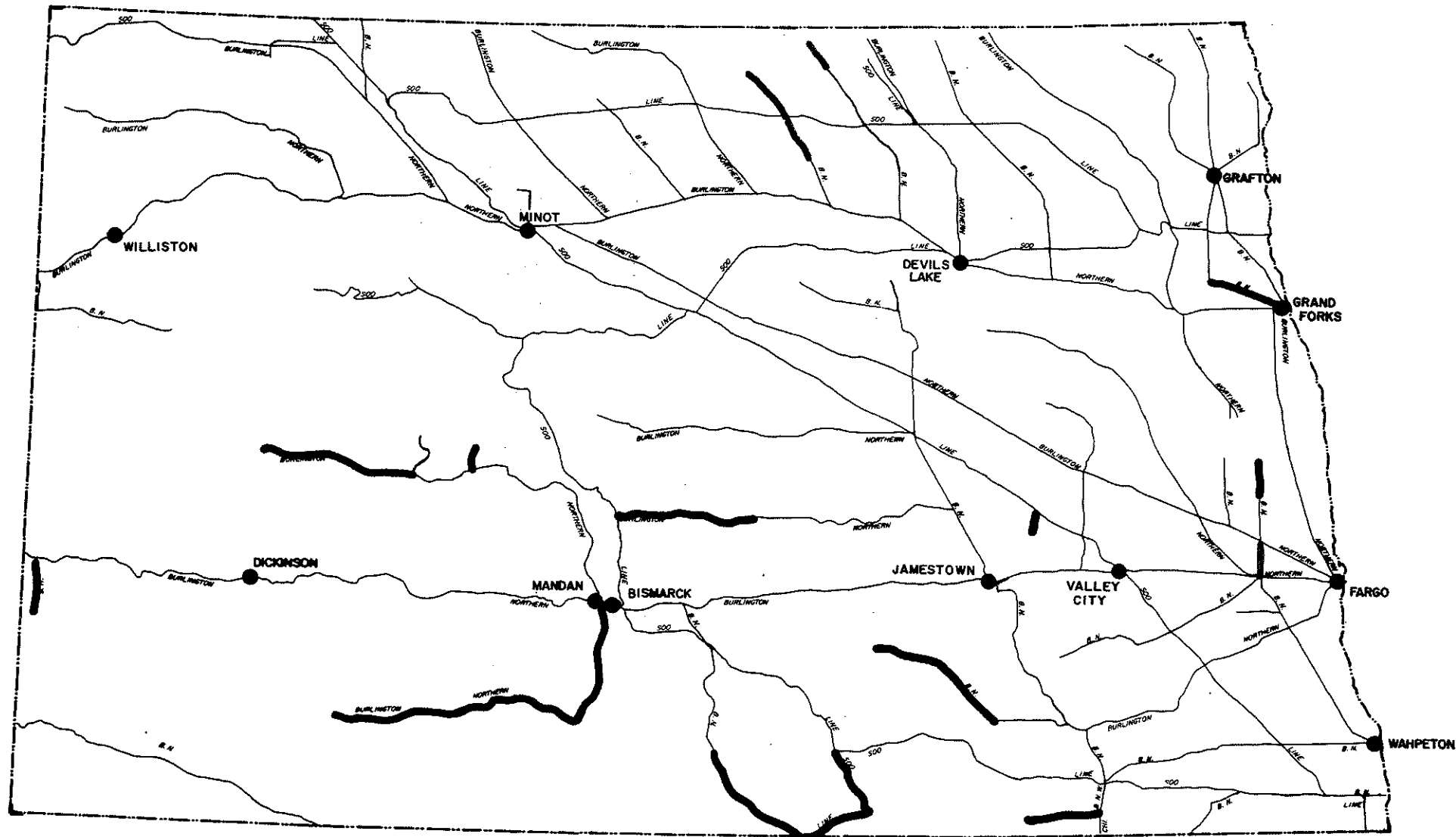
\* Includes 7.83 miles of trackage rights on CNW from Oakes to Ludden.




**TOTAL ND MILEAGE IN CATEGORY:**

Category 1 (3 years)	-	344.10
Category 2 (Future)	-	39.93
Category 3 (Pending)	-	34.63
Modified Procedure (Pending)	-	6.08

Prepared by: ND State Highway Department  
Planning Division and Office of Rail

# NORTH DAKOTA LINES SUBJECT TO ABANDONMENT



CATEGORY 1 (3 years)   
 CATEGORY 2 (future)   
 CATEGORY 3 (pending) 

PREPARED BY PLANNING DIVISION  
AND OFFICE OF RAIL

July 1, 1982



## Interstate Commerce Commission Abandonment Calculations<sup>4</sup>

The Interstate Commerce Commission (ICC) will normally allow a railroad to abandon a line if it is shown that maintaining rail service on the line results in a financial loss to the railroads. The following formula may be used to estimate the profitability of rail trackage in abandonment-related proceedings:

$$\text{PROFITABILITY} = \text{REVENUES} - \text{AVOIDABLE COSTS} - .167 (\text{NLV})$$

### Formula Factors

- |                        |   |   |
|------------------------|---|---|
| <u>Revenues</u>        | - | This factor should represent a reasonable estimate of potential revenues that may be generated by the railroad by operating over the line in the future.  |
| <u>Avoidable Costs</u> | - | This factor includes costs directly associated with the line in question (wages, maintenance, fuel, equipment time, etc.) and indirect costs such as administration, costs incurred in moving freight from the point where it hits the mainline to its final destination, etc. Avoidable costs often equal about 50% - 60% of revenue.  |
| <u>.167 (NLV)</u>      | - | The ICC has determined that railroads should be allowed to earn a 16.7% pre-tax return on their investment (land, track salvage, etc.) in abandonment-related situations. In a recent abandonment case the Burlington Northern claimed a net liquidation value (NLV) of nearly \$61,000 per mile. The state argued that the NLV was closer to \$38,000 per mile. A \$50,000 per mile estimate may be appropriate. NLV must also include any costs that might be incurred in upgrading the line to a useable level. The BN often uses an average cost figure of \$100,000 per mile but actual costs may vary widely. (The pretax return percentage is recalculated annually by the ICC. The 1981 rate was 9.3%). |

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<sup>4</sup>SOURCE: North Dakota State Highway Department.

## **Interstate Commerce Commission Abandonment Application Process<sup>5</sup>**

The first notice that a particular railroad line segment is in danger of abandonment is the publication of a carrier's System Diagram Map (SDM). The map shows all segments on the railroad's system which are abandonment candidates. Before an application for abandonment can be filed, the line in question must have been on the SDM for at least four months. The railroad must also submit a "Notice of Intent to Abandon" at least 30 days prior to filing the abandonment application.

After the railroad submits an abandonment application to the ICC, interested parties have 30 days to file a formal protest against the application. However, if no protests are filed, the ICC is obligated to grant the application and issue a Certificate of Abandonment. If protest is filed, the ICC must decide whether to grant an investigation. If no investigation is warranted, the ICC must make their decision to grant the abandonment within 30 days. But if a formal investigation is granted, the decision can take up to 120 days. Interested parties can protest the ICC final decision and ask that the decision be reconsidered, and may also appeal the final decision to the courts.

It is obvious that the time period for abandonment proceedings can be very short if no protests are received by the ICC. However, if the application is contested, protestants must still submit the required evidence within the allotted time periods. Figure 1 is a schematics of the general ICC abandonment application process. Figure 2 is a detailed timetable of the process.

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<sup>5</sup>49 Code of Federal Regulations 1121 (1980), p.443.

Figure 1. Interstate Commerce Commission Abandonment Application Process.

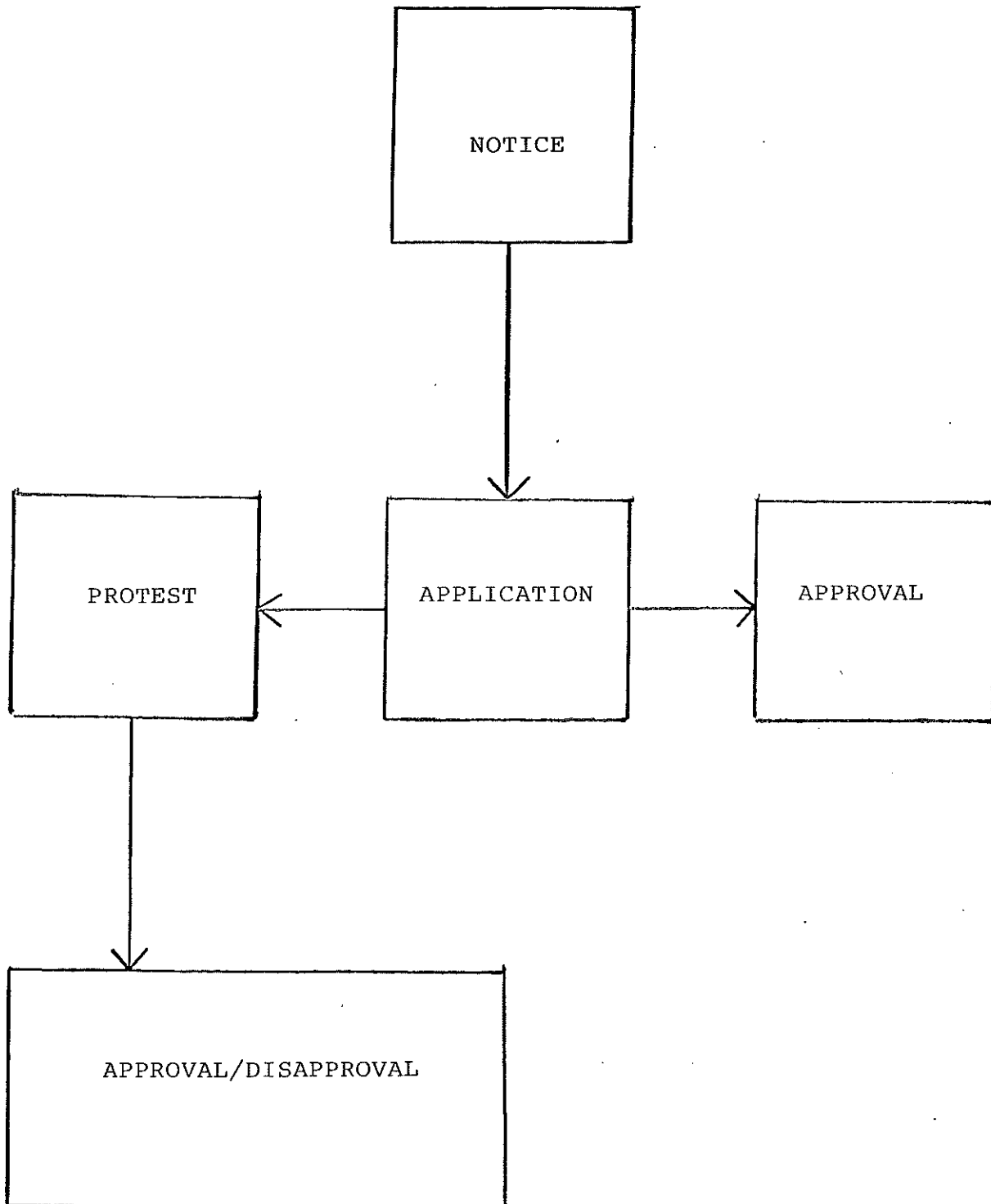
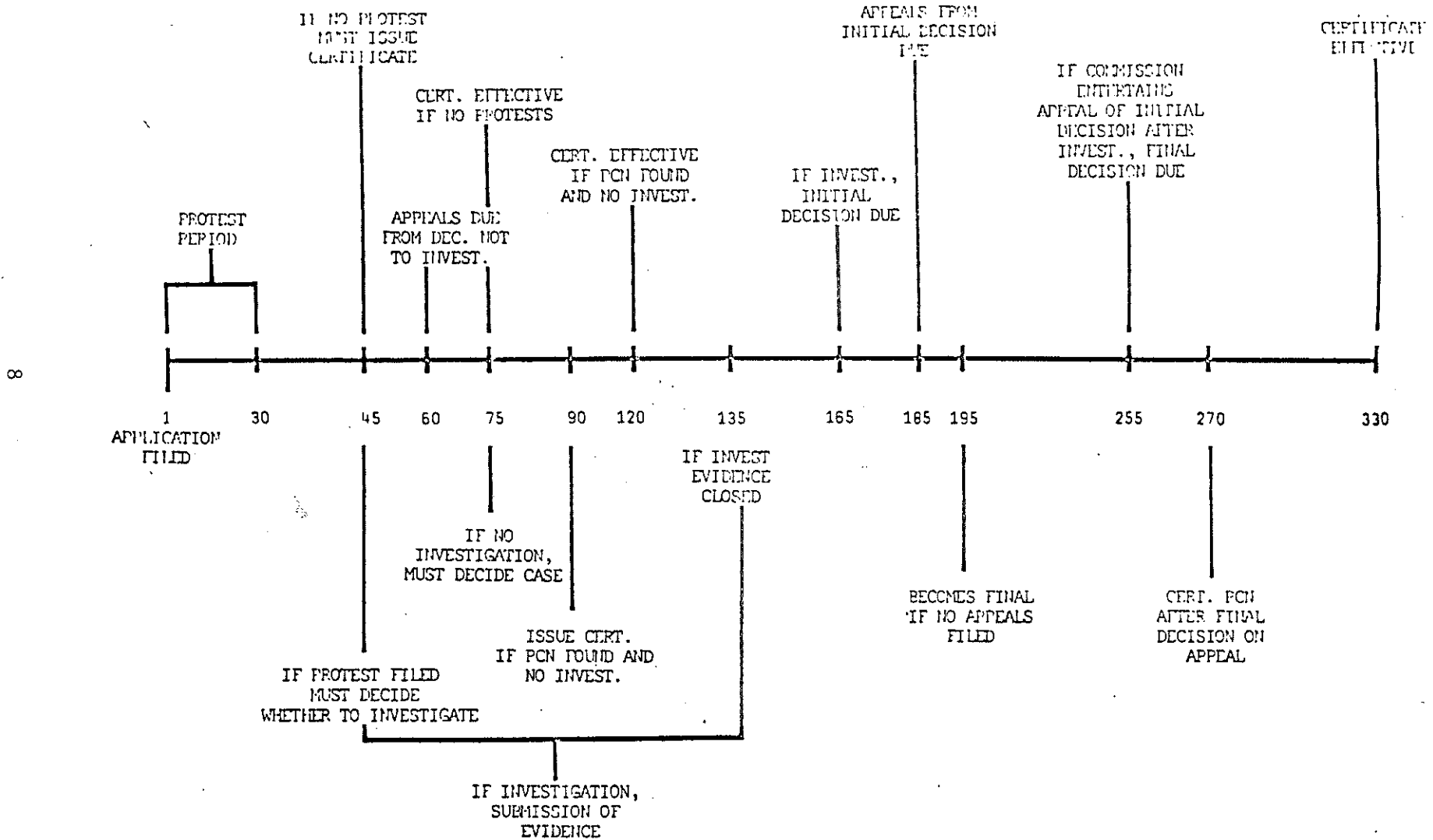


FIGURE 2. THE FEDERAL ABANDONMENT PROCESS



SOURCE: 45 FR 78152 (1980). (FR: Federal Register.)